

### REMARKS

The examiner rejected Claims 1-26 under 35 U.S.C. 112, first paragraph, as failing to comply with the enablement requirement.

The examiner also rejected Claims 1-26 under 35 U.S.C. 112, second paragraph, as being indefinite.

Essentially, the examiner contends for both rejections that:

The specification on page 2 mentions odd-lot exposure limit of a market participant, which could be a retail customer, and then states in the next paragraph "a market maker (presumably a dealer) can and will maintain different exposure limits . . . ". It is unclear as to which one this invention is referring to. In addition the specification does not define what an "odd-lot exposure limit" is.

Applicant's specification clearly sets for what is meant by an odd-lot exposure limit. For example, on page 15, lines 4-19, applicant's specification states:

The odd-lot execution manager 26g will not decrease the market maker's displayed quote size, rather it will decrease the market maker's odd-lot exposure limit.

The odd-lot execution manager 26g accesses the "odd-lot exposure limit" parameter that is maintained for market makers. The odd-lot execution manager 26g also accesses and maintains a market maker interval delay between odd-lot executions against the same market maker. Odd-lots are processed in a round-robin fashion against a market maker even if it is not at the inside, odd-lots are processed only against those market makers who have an available odd-lot exposure limit.

Clearly, one of ordinary skill in the art would understand that an "odd-lot exposure limit" is a parameter maintained for market makers that specifies the extent of a market makers exposure to odd lot orders.

Applicant has amended the claims to clarify claim language. One of Applicant's amendments was to change "market participant" to "quoting market participant" and in some instances "market maker" to "quoting market participant," as appropriate. A "quoting market participant" could be any entity that can send quotes to a market. Therefore, in some embodiments a quoting market participant could include a retail customer, if the market permitted retail customers to maintain or enter quotes. In other embodiments, quoting market

participant could be an auto-execution ECN, an ECN that accepts delivery of orders, a market maker, and so forth, as described in applicant's specification.

As amended and argued above, Claims 1-26 are proper under 35 U.S.C. 112, first and second paragraphs.

The examiner rejected Claims 1-18 under U.S.C. 101 stating that the claimed invention is directed to non-statutory subject matter because it does not claim the use of technology in the body of the claims. Applicant has amended claim 1 to include "in a computer system." As amended claim 1 and dependent claims 2-18 are statutory.

The examiner rejected Claims 1-26 under 35 U.S.C. 103(a) as being unpatentable over Tewels et al, The Stock Market, 1998 (hereinafter Tew). The examiner stated:

**Tew discloses (see pages 168-1 69) all of the methods, systems, and products described within claims 1-26, including a method for trading odd-lots of a security in an electronic market for trading securities, determining whether an odd-lot exposure limit has been exceeded for a market participant, routing a received odd-lot order for execution or delivery to a market participant whose odd-lot exposure limit has not been exceeded and which is sufficient to satisfy execution of the order, an order execution/routing manager that executes non-directed orders against quoting market participant's quotes/orders based on a priority, a process to determine whether an order is a mixed order or an odd-lot order, an odd-lot execution process that executes the odd-lot portion of the mixed order or the odd-lot order, a process to determine whether an odd-lot exposure limit has been exceeded for a market participant, and a process to route a received odd-lot order for execution or delivery to a market participant whose odd-lot exposure limit has not been exceeded and which is sufficient to satisfy execution of the order.**

**Tew does not teach the unexplained "odd-lot exposure limit". However, the specification on page 1 states that the pre-existing SOES system automatically processes odd-lot orders in a round-robin fashion. To the extent that an "odd-lot exposure limit" exists, the SOES is handling its administration manually, as well as the automated processing of odd-lot orders.**

**It would have been obvious to one skilled in the art at the time of the invention to have automated whatever SOES does on a manual basis, since it has been held that broadly providing a mechanical or automatic means to replace manual activity which has accomplished the same results involves only routine skill in the art. In re Venner, 120 USPQ 192.**

Claim 1, as amended is distinct over Tew. Claim 1 is directed to a method for trading odd-lots of a security in an electronic market. Claim 1 includes the features of determining \*\*\* whether an odd-lot exposure limit has been exceeded for a quoting market participant and routing a received odd-lot order for execution or delivery to a quoting market participant whose

odd-lot exposure limit has not been exceeded and which is sufficient to satisfy execution of the order.

At the outset, Applicant desires to point out an apparent inconsistency in the rejection. On the one hand the examiner states Tew discloses all of the methods, systems, and products described within claims 1-26, including \*\*\* determining whether an odd-lot exposure limit has been exceeded for a market participant, routing \*\*\* to a market participant whose odd-lot exposure limit has not been exceeded \*\*\* a process to determine whether an odd-lot exposure limit has been exceeded \*\*\* and so forth. On the other hand, the examiner also states: "Tew does not teach the unexplained "odd-lot exposure limit." Applicant requests clarification on how a reference can disclose something but not teach it.

Applicant contends that Tew discloses no more than what applicant disclosed in the specification on page 1, namely:

One type of trading platform is the Small Order Execution System (SOES<sup>SM</sup>). The Small Order Execution System can be used to access, e.g., market makers quotes, via automatic execution if the order is for a public customer and meets a maximum order size requirement. Conventionally, in systems such as the Small Order Execution System (SOES<sup>SM</sup>) odd lots are processed against only those market makers who are at the inside bid or offer, in round-robin fashion. An odd-lot execution does not decrement or decrease a market maker's quote by the amount of the execution.

Applicant's background discloses that odd-lot execution is processed against only those market makers who are at the inside bid or offer, in round-robin fashion and that an odd-lot execution does not decrement or decrease a market maker's quote by the amount of the execution. Similarly, Tew discloses that odd lot orders are entered through SuperDOT or firm dealer systems and are filled at the bid and offer price in the current quotation. Tew does disclose that one of the problems with the systems then in effect is that odd lot trading may occur at a slight difference from round lot trading prices. Also, Tew discloses that in the event that a current offer price is too high to satisfy a limit price a customer may not receiving a fill of the order, the customer may be charged an extra 1/8 or a 1/4 for service of the order by a specialist.

Thus, while Tew discloses odd-lot trading, Tew fails to disclose "determining whether an odd-lot exposure limit has been exceeded for a market participant, routing a received odd-lot order for execution or delivery to a market participant whose odd-lot exposure limit has not been exceeded and which is sufficient to satisfy execution of the order," as contended by the examiner. Tew's disclosure of the inefficiency of making markets in odd lots, further bolsters the non-obviousness of claim 1, which in general can eliminate or significantly reduce that inefficiency.

Without so stating in the rejection, the examiner apparently is making a combination rejection of Tew with applicant's admitted prior art where the examiner discusses: "However, the specification on page 1 states that the pre-existing SOES system automatically processes odd-lot orders in a round-robin fashion. To the extent that an "odd-lot exposure limit" exists, the SOES is handling its administration manually, as well as the automated processing of odd-lot orders."

It is clear from applicant's admitted prior art that in SOES an odd-lot exposure limit does not exist. Applicant states that: "Conventionally, in systems such as the Small Order Execution System (SOES<sup>SM</sup>) odd lots are processed against only those market makers who are at the inside bid or offer, in round-robin fashion."

According, it would not be obvious to one skilled in the art at the time of the invention to combine the teachings of SOES with Tew, since Claim 1 is not merely directed to "providing a mechanical or automatic means to replace manual activity which has accomplished the same results involves only routine skill in the art." Rather, Claim 1 is directed to a new feature namely the odd lot exposure limit, and a new combination of features that are neither disclosed nor suggested by the art.

Claim 1 is thus allowable over the art since the art does not suggest any of the features of claim 1.

Dependent claims 2-18 add distinct features to applicant's invention.

For example, claim 5 recites that displayable quote size for the quoting market participant in the security is not decremented in response to the quoting market participant satisfying the odd-lot order. Claim 6 recites that the odd-lot order becomes executable when the price of the

odd-lot order is at the best price in the market. Tew for example clearly states that “an odd lot purchase is filled at a price, “which may represent may represent a slight difference from the round lot trading at the same time \*\*\*.” Claim 10 requires that to determine the next available quoting market participant, the process retrieves the next quoting market participant’s odd-lot exposure limit and determines whether the next quoting market participant has a remaining odd-lot exposure limit that can satisfy the order. Claims 11 and 12 deal with suspending processing of odd-lot orders for the security \*\*\* which is not disclosed by Tew.

Claim 16 deals with a mixed lot order and includes executing an odd-lot portion of the mixed lot using a separate mechanism from the mechanism that executes a round lot portion of the mixed order. Claim 16 is not suggested by Tew. Rather, Tew teaches away by: “There is no stock ahead (order priority) of the odd lot because of the automated execution process \*\*\*.”

Claim 17, which recites that the odd-lot portion is executed at the round-lot price against the next quoting market participant in rotation even if the round-lot price is no longer the best price in the market, is also not suggested.

Claim 18, which recites aggregating a number of odd lot executions for a particular security to produce an aggregate round lot execution comprised of odd-lot executions is not suggested by the teachings relied on in Tew. While, Tew discusses captive odd lot processing on the NYSE, (DeCoppet & Doremus, etc.) that approach ultimately failed and was apparently supplanted by the technique disclosed as in SuperDOT. One of ordinary skill in the art would not be lead to “aggregating a number of odd lot executions for a particular security to produce an aggregate round lot execution.” Moreover, claim 18 requires decrementing a Quote/Order size upon execution of the aggregate round lot execution, when the number of odd lots executed equals a round lot. Tew neither discloses nor suggests this feature.

Claims 19-26 are allowable for analogous reasons as discussed above.

Applicant has added new claims 27-30 which are allowable for analogous reasons as given for corresponding ones of claims 20-26.

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Enclosed is a **\$200** check for excess claim fees and a **\$450** check for the Petition for Extension of Time fee. Please apply any other charges or credits to deposit account 06-1050.

Respectfully submitted,

Date: \_\_\_\_\_

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